

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Before Commissioners:

Ruth Y. Goldway, Chairman;
Nanci E. Langley, Vice Chairman;
Mark Acton;
Tony Hammond; and
Robert G. Taub

Removing International Restricted
Delivery from the Competitive
Product List

Docket No. MC2013-3

ORDER APPROVING REMOVAL OF INTERNATIONAL
RESTRICTED DELIVERY FROM THE COMPETITIVE PRODUCT LIST

(Issued November 16, 2012)

The Postal Service seeks to remove International Restricted Delivery service from the competitive product list.¹ For the reasons discussed below, the Commission approves the Request.

I. INTRODUCTION

On October 11, 2012, pursuant to 39 U.S.C. 3642 and 39 CFR 3020.30 *et seq.*, the Postal Service filed this Request, along with supporting documents. In the Request, the Postal Service states that due to “low quantity demanded by customers” it

¹ Request of the United States Postal Service to Remove International Restricted Delivery from the Competitive Product List, October 11, 2012 (Request).

is requesting that International Restricted Delivery service be removed from the competitive product list. *Id.* at 2. It contends that “no marketplace indicators demonstrate any propensity for future volume and revenue growth.” *Id.* The Postal Service also indicates that it is seeking removal of market dominant Outbound International Restricted Delivery service while retaining market dominant Inbound International Restricted Delivery service in a separate proceeding.²

On October 16, 2012, the Commission issued an order establishing the present docket, appointing a Public Representative, and providing interested persons with an opportunity to comment.³

II. COMMENTS

The Public Representative filed comments on October 25, 2012.⁴ No other interested person submitted comments. The Public Representative does not object to the Postal Service’s request to eliminate competitive International Restricted Delivery service. He states that International Restricted Delivery is a part of the International Ancillary Services product, and therefore is not a product in its own right. PR Comments at 2. He indicates that the International Ancillary Services product covered its costs in FY 2011. *Id.* Because International Restricted Delivery service comprised only 0.002 percent of the total revenue for the International Ancillary Services product in FY 2011, the Public Representative concludes that the International Ancillary Services product will continue to cover its costs and comply with the standards of 39 U.S.C. 3633(a) if International Restricted Delivery service is eliminated. *Id.* at 2-3. Noting that data shows a revenue increase of 600 percent and a volume increase of 500 percent during the 6-year period through FY 2012, the Public Representative takes

² See Docket No. R2013-1, United States Postal Service Notice of Market-Dominant Price Adjustment, October 11, 2012, at 55.

³ Order No. 1503, Notice and Order Concerning Removal of International Restricted Delivery from the Competitive Product List, October 16, 2012 (Order No. 1503).

⁴ Public Representative Comments on Postal Service Request to Remove International Restricted Delivery from the Competitive Product List, October 25, 2012 (PR Comments).

issue with the Postal Service's claim that market indicators do not "demonstrate any propensity for future volume and revenue growth." *Id.* at 3. However, he concedes that the volume and revenue growth used in this calculation started from a very low level. *Id.*

III. COMMISSION ANALYSIS

The Commission has reviewed the Request, the supporting data filed under seal, and the Public Representative's comments.

The Postal Service filed the instant request pursuant to 39 U.S.C. 3642 and 39 CFR 3020.30 *et seq.*, which applies whenever the Postal Service proposes to add, transfer, or remove a product from the competitive product list. These regulations require that the Postal Service file notice with the Commission setting out its basis for determining that a product is properly classified as competitive and that the product satisfies the standards of section 3633. See 39 U.S.C. 3642(d); 39 CFR 3020.30. In determining whether a product is properly classified as competitive, the Commission must consider the availability and nature of private sector enterprises engaged in delivering the product, the views of those who use the product, and the likely impact on small business concerns. 39 U.S.C. 3642(b)(3).

The Postal Service asserts that there is minimal use of the product, and therefore there is no available information on the view of customers who use the product. Request, Attachment B at 3. For the same reason, the Postal Service states that removal is likely to have very little impact on small business concerns. *Id.*

No commenter opposes the request to remove International Restricted Delivery from the competitive product list. Having considered the relevant statutory and regulatory requirements and the Postal Service's supporting justification, the Commission finds that if International Restricted Delivery is removed from the competitive product list as the Postal Service requests, the product it is a part of—International Ancillary Services—will continue to be appropriately classified as a competitive product.

Cost considerations. The Postal Service must also show that International Ancillary Services will continue to cover its attributable costs, contribute to the Postal Service's institutional costs, and not cause market dominant products to subsidize competitive products. 39 U.S.C. 3633(a) and 39 CFR 3020.32(c).

The Postal Service has submitted a certified statement, along with supporting revenue and cost data. The Postal Service asserts that because it seeks to remove International Restricted Delivery from the competitive product list, there will be no subsidization of competitive products by market dominant products. Request, Attachment B at 2. The Public Representative agrees that the removal of International Restricted Delivery does not violate the standards of 39 U.S.C. 3633(a). PR Comments at 3. The Commission finds that removal of International Restricted Delivery complies with the provisions applicable to rates for competitive products.

Other considerations. The Commission acknowledges that its regulations under 39 CFR part 3020, subpart B are not a perfect fit for the proceedings in this docket. The Postal Service has not proposed to add, transfer, or remove an entire product from the competitive product list, but rather to modify the existing description of the International Ancillary Services product so as to eliminate International Restricted Delivery service. However, by bringing these proceedings the Postal Service ensures that the language in the Mail Classification Schedule remains accurate and the public is properly informed.

IV. ORDERING PARAGRAPHS

It is ordered:

1. International Restricted Delivery is removed from the Mail Classification Schedule product description for International Ancillary Services.
2. Conforming modifications will be made to the draft Mail Classification Schedule.

By the Commission.

Shoshana M. Grove
Secretary